

THE MONTANA BOARD OF HOUSING

MULTIFAMILY PROGRAM

Montana Board of Housing Board Members Appointed by the Governor



MULTIFAMILY STAFF



Board of Housing

- Issue Tax Exempt Bonds to purchase mortgages (secondary mkt)
- Operate other Federally funded programs – i.e. LIHTC
- No use of tax money to operate

THE LOW INCOME TAX CREDIT PROGRAM

- An equity enhancing program for rental housing
- Created within Section 42 of the Internal Revenue Code
- Administered by each state's housing finance agency
- Each state receives \$1.75 per capita annually in tax credits to allocate to projects, inflated starting in 2003 (small states receive minimum \$2,275,000 in 2007)
- Eligibility is based on tenant income

Tax Credits

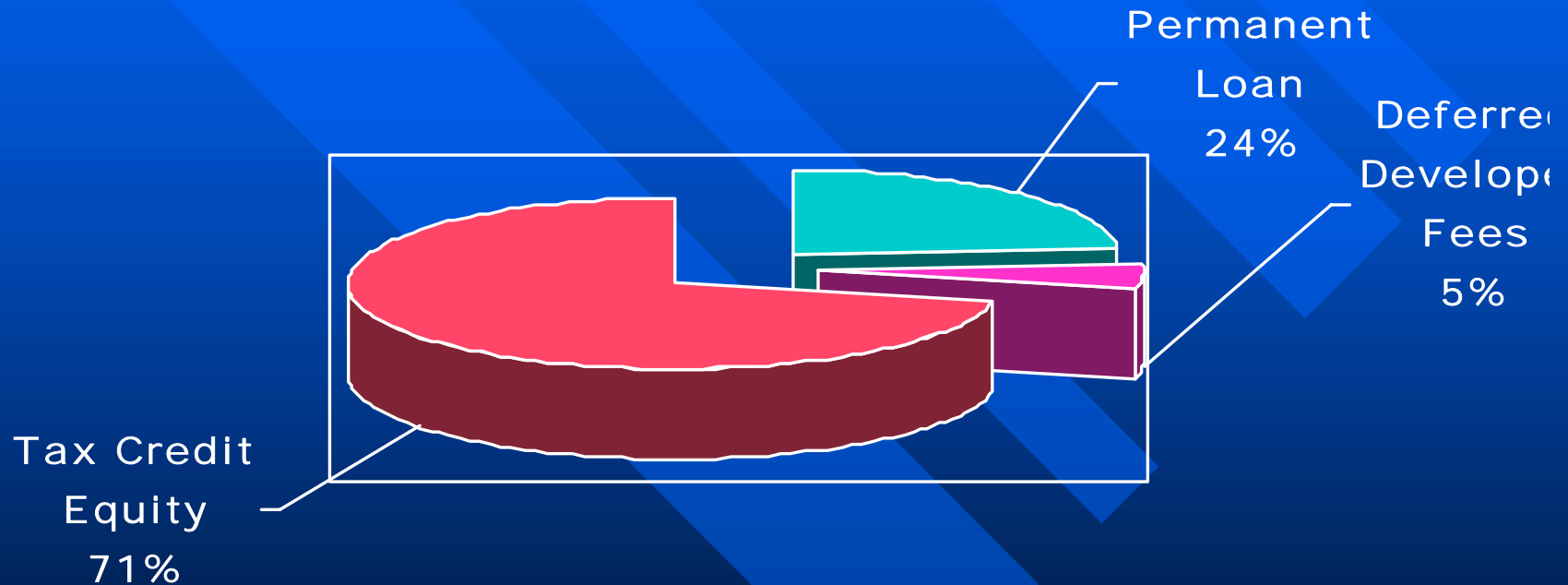
- Montana receives approximately \$2,275,000 in annual credits per year plus a cost of living.
- An allocation can be taken each year for a 10 year period
- Credit taken as a reduction in participants tax liability
- **Credits can be sold to generate equity**



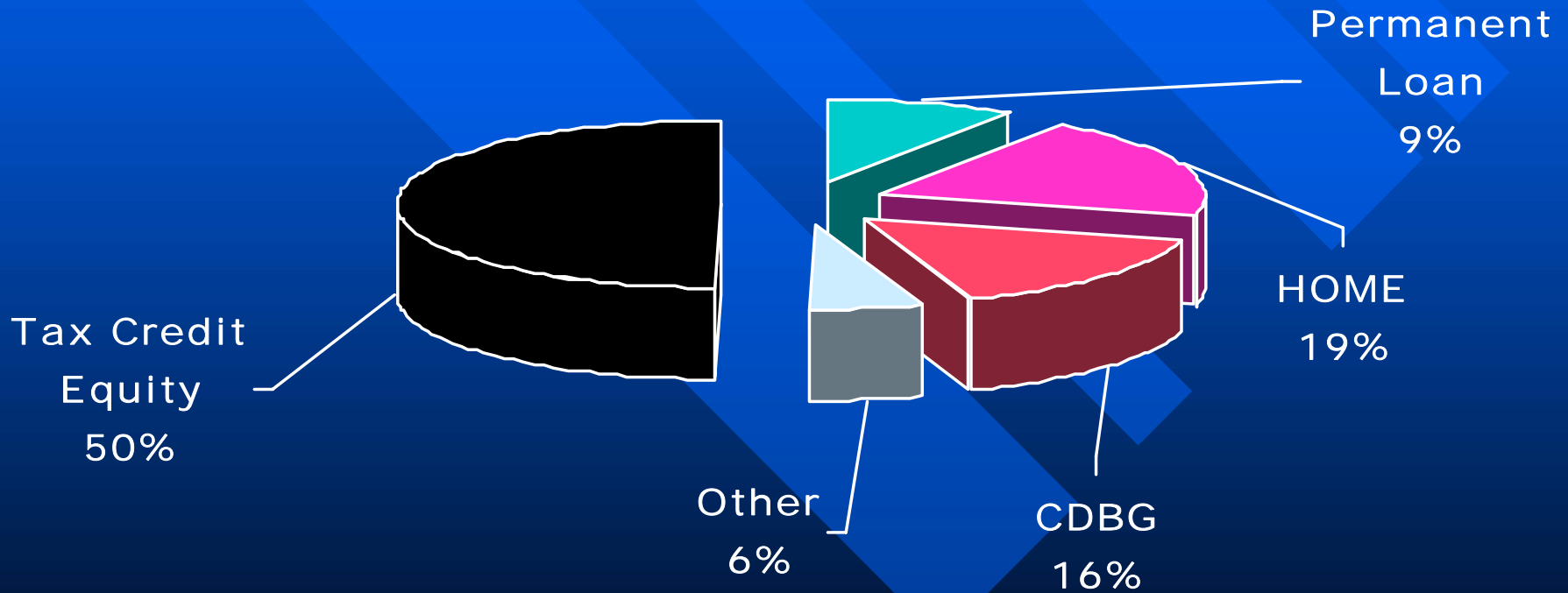
Tax Credits

- Program can be used for
 - New Construction
 - Acquisition with Rehabilitation (at least \$5,000 / unit)
 - Rehabilitation (at least \$5,000 / unit)
- Eligible Activities
 - Residential rental buildings available to general public
 - Housing for families, special needs tenants, single room occupancy and elderly
 - Urban, rural and suburban
- Ineligible Activities
 - 4 units or less occupied by owner or relative
 - Retirement homes with significant services
 - Nursing Homes or Life Care
 - Dormitories or Trailer Parks

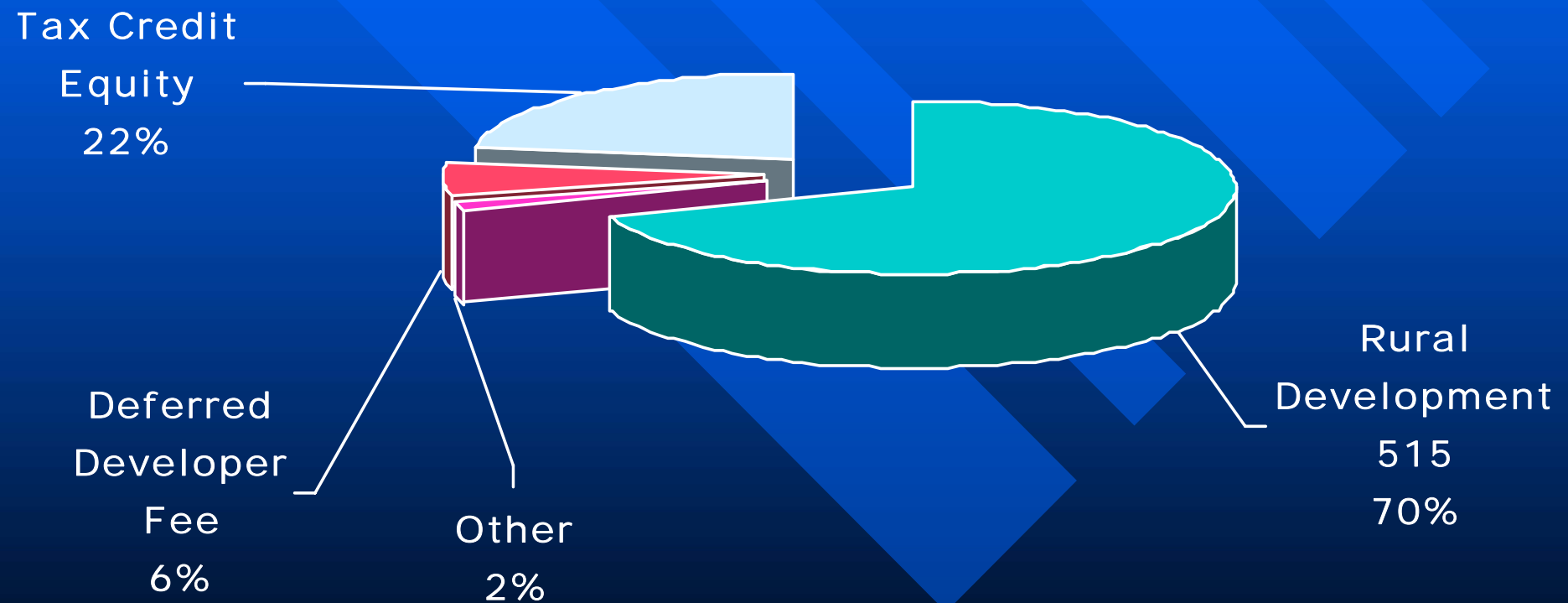
Straight Tax Credit Projects



Tax Credit Projects with CDBG & HOME Funding



Tax Credit Projects with RD 515 Funding



Structure

- Limited Partnership Structure
- Sale of most of a project's tax credits and tax losses provide capital for development
- Passive limited partner invests equity in return for 99.99% ownership and use of credits
- General Partner owns 0.01% and operates the project

Tax Credits

- States have allocation rounds
- Vary from state to state
- Montana:

First Round

- Submission Date Beginning of February
- Award is at April or May Board Meeting

Second Round (if Required)

- Submission Date Beginning of May
- Award is at July or August Board Meeting



Project Team

➤ Developer Team

- Developer
- General contractor
- Architect
- Attorney
- Accountant
- Property manager
- Consultants

➤ Lenders

- Construction lender
- Permanent lender
- Lender Attorney

➤ MBOH

➤ Syndicator

- Underwriter
- Fund manager
- Attorney

Critical Elements of a Competitive Application

- Application received in Board's office before 5:00 P.M. on submission deadline date with fee payment
- All sections and required attachments are included
 - ✓ Uniform Application with sections A, B and C
 - ✓ Supplemental Application with Application Fee, Narrative, Sections A, B, and C, Signature, Exhibits
 - ✓ All required appendices (see required order of application checklist)
 - ✓ Market Study

Critical Elements (cont)

- **Threshold Criteria**
 - ✓ **Site Control**
 - ✓ **Evidence of Proper Zoning (in process)**
 - ✓ **Sketch Plan of the site and building(s)**
 - ✓ **Preliminary Financing letter**
 - ✓ **Financially Sound**
 - » **reasonable financing terms**
 - » **reasonable costs**
 - » **reasonable expenses**
 - » **sufficient cash flow**
 - » **adequate market exists**
 - » **meets needs of community**

Selection Criteria

(Scoring – Up to 137 Points)

- 1. Extended Low Income Use (0-10 points)**
- 2. Serves Lowest Income Tenants (0-22 points)**
- 3. Project Location (0-7 points)**
- 4. Housing Needs Consideration (0-4 points)**
- 5. Project Characteristics (0-33 points) (Energy & Green Bldg)**
- 6. Sponsor Characteristics (0-13 Points)**
- 7. Readiness to Proceed (0-6 points)**
- 8. Participation of Local Tax Exempt Organization (0-2 points)**
- 9. Tenants with Special Housing Needs (0-10 points)**
- 10. Use of Housing Providers Waiting Lists (0-8 points)**
- 11. Preservation of Affordable Housing Projects (0-2 points)**
- 12. Community Support (1-10 points)**
- 13. Intermediary Costs (1-10 points)**
- 14. Knowledge and Responsiveness (up to –20 points)**

Application Process

Application received in MBOH office NLT on submission deadline date with application fee.

- Uniform application with sections A, B, and C
- Supplemental application with Narrative, Sections A, B, and C, Signatures and Exhibits, all required appendices (see order of application checklist)
 - » Threshold criteria including
 - Site control
 - Evidence of Proper Zoning (in process)
 - Sketch Plan of Site
 - Primary Financing Letter
 - Financially Sound
- Market Study

Application Process

- Presented to Board
- Reservation
- Gross Rent Floor Election completed
- 10% Carryover (complete review and underwriting performed)
- 2 years to place project in service
- 8609 (complete review and underwriting performed)
- Compliance



New and Ongoing Issues

- First time applicants must complete one project to lease up before applying for additional credits
- Eventual Home Ownership with tax credits
- Costs continue to be a concern (we look for the best use of tax credit dollars)
- Best use of tax credits (percentage credits are paying for project in comparison to targeted population)
- 60% rents are market rate in some areas
- Green building and energy efficiency

Other Programs Available

- Risk Share Loans
- General Obligation Loans
- Revolving Loan Program
- Reverse Annuity Program

QUESTIONS?

http://housing.mt.gov/Hous_BOH_MF.asp

(406) 841-2840

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